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26 July 1983

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2427

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CONTENTS

BRIEFS

YUGOSLAV-BULGARIAN TRADE--In the first five months of this year $250 million worth of commodity trade had been contracted for with Bulgaria ($121 million worth of exports and $109 million in imports), but only $68.7 million had been carried out ($30.8 million in [Yugoslav] exports and $37.9 million in imports). This trend is unsatisfactory and most unfavorable compared to all other socialist countries. The 1983 trade protocol called for a $370-million volume of trade with Bulgaria, or $185 million in each direction. There have been numerous examples of unfair competition, the lowering of prices, and various kinds of similar conduct by our organizations operating on this market. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13 Jul 83 p 1]

YUGOSLAV-ALBANIAN TRADE--Because of breakdowns in hydroelectric power plants and empty water storage lakes Albania was able to fulfill only 30 percent of the Yugoslav-Albanian trade plan. Therefore Albania has offered two additional lists of commodities for barter. In regard to the first list, an agreement was reached, at a joint session, for the import [from Albania] of gasoline, propane-butane gas, copper wire, sulfur, stearin, wrapping paper, clothing made out of leather, medicinal herbs, essential oils, turpentine, cement, souvenirs, canned fish, tobacco, pitch, newsprint, resins and chrome ore, items with a value of 10 million dollars. [Excerpt] [Ljubljana DELO in Slovene 8 Jul 83 p 14]

CSO: 2800/367

DISTRICTS REPORT RESULTS OF HARVEST

[Editorial Report] AU041951/AU062037 Tirana Domestic Service in Albanian reports the following harvest results:

Durres District: The set objectives were successfully fulfilled. For the first time, this important action was completed within 15 days, surpassing the wheat production plans. "A yield of 40.2 quintals per hectare was achieved instead of the planned 36.2 quintals per hectare, thus producing 4 quintals per hectare more than planned and 7.5 quintals per hectare more than last year." Thus the deficit of the past 2 years was made up for and the 3-year plan was overfulfilled. (1800 GMT 4 Jul)

Kruge District: "We fulfilled the wheat delivery plan on 4 July, and today we have fulfilled it 108.3 percent. The wheat production plan has also been fulfilled 110.5 percent. Planned yields have been exceeded and we have achieved an average yield of 37 quintals per hectare, compared with the 35 quintals per hectare planned. We have thus exceeded yields by two quintals of wheat per hectare over and above the plan and by four quintals more than in the previous year. The wheat production plan for the first 3 years of the current 5-year period has thus been fulfilled 102.5 percent and has this year already exceeded by 0.7 quintals per hectare the yields planned for 1985." (1800 GMT 6 Jul)

Sarande District: The wheat production and wheat delivery plans have been overfulfilled by 15 percent and 12 percent respectively. "A yield of 3.2 quintals more than planned was achieved, or 5.5 quintals per hectare more than the previous year. This is the second year in a row that the wheat production plan has been overfulfilled and, for the first 3 years of the current 5-year period taken together, we have overfulfilled the plan 10,500 quintals. It is worth stressing that all agricultural units, without exception, have exceeded their planned yields. The available data shows that 42 quintals per hectare were harvested over the entire acreage and that yields of 51 quintals per hectare were achieved on 1,000 hectares." (1800 GMT 6 Jul)

CSO: 2100/55

MINISTER COMMENTS ON REVISED RESOURCES CONSERVATION PROGRAM

Warsaw RZECZPOSPOLITA in Polish 5 May 83 pp 1, 2

[Interview with Minister of Materials Management Jerzy Wozniak by Slawomir Popwski: "The Conservation Program, Every Initiative Counts"]

> [Text] After discussion in the Sejm commissions and during the plenary deliberations the deputies adopted a resolution on a conservation program containing certain modifications with respect to the original draft. The new version also considers many suggestions and demands voiced during the national conference of the working aktiv and at similar conferences which were held in departments and factories.
>
> The plenipotentiary of the government on matters of the conservation program, Minister of Materials Management Jerzy Wozniak, spoke on the course of these discussions and their results in an interview granted to a PAP journalist.

[Answer] The adoption of the Sejm resolution on the conservation program does not at all mean the end of the job. This program is not a simple document which can be elaborated and put into a drawer, with a feeling that the matter has been settled. It must be constantly reestablished and continually actualized.

There is a close relationship between the conservation program adopted and the 3-year plan. The increments in production and national income anticipated in the plan are based about 50 percent on savings in raw materials, energy and fuel. In this case we must count primarily on our own forces. This will also have a direct influence on our standard of living. However, anyone who thinks that we must economize only because we are poor would be mistaken. Such a statement is spurious.

Even if we were very rich and had more than enough raw materials, a program for their efficient utilization would still be necessary. The richest look for such reserves because it is mainly in this way that they can multiply their wealth.

[Question] What changes have been introduced into the program as a result of public discussion?

[Answer] We directly used approximately 260 concrete suggestions. Obviously there were more of them, but they concerned the same or similar problems. Among other things we gave consideration to new, long-term ventures. For example, additional tasks referring to savings in coal, the use of secondary raw materials and a reduction in gas consumption (in glassworks, for instance) were inserted into the program. Many suggestions also concerned organizational changes in the distribution and organization of supplies of raw and other materials.

The conservation program took into consideration, for example, demands for increasing the production of sawdust-burning stoves and the implementation of a technological line to refine rubbish. These examples do not exhaust the list of all suggestions made and considered. There were considerably more of them. However, I would once more like to emphasize that the conservation program adopted is open, but only in one direction.

It must be expanded and enriched with new tasks. Here every initiative and every idea is valuable. Just as during the first discussion on the program, all suggestions are examined and a concrete reply will be given to every one who makes a suggestion.

[Question] In recent weeks a great deal has been said about the reciprocal relationships between the 3-year plan and the conservation plan. At the same time we can find opinions and doubts about whether the economic and administrative instruments anticipated in the program will be effective enough.

[Answer] There are many very efficient solutions in the economic reform, and the conservation program is aiming in this same direction. If the instruments contained in the program are not effective, we will use other ones, but we must execute the program. I would like to add here that, in spite of appearances, the tasks contained in it are not at all high.

In the GDR, for example, a reduction in steel consumption of about 10 percent is assumed for this year, and this is not the first time. In turn in community economy in the GDR, in 1979-1982 alone, the consumption of raw and other materials has been reduced by about 7 percent.

The Polish economy is very wasteful. In the past 2 or 3 years the effectiveness of the use of raw and other materials has gotten considerably worse. Do we have to keep working worse than we once did?

[Question] You have given examples from the GDR. You were recently in this country. Which of the solutions used by our neighbors can be transferred to Poland?

[Answer] The GDR has a widely developed economic system of conservation and of effective use of materials. Let me emphasize that this is a system, a firm system, based on many years of scientifice research. For example,

approximately 520 products are evaluated every year from the viewpoint of the possibility of reducing the consumption of raw and other materials necessary for their production. We should use a similar system of technical and economic evaluation in our country. We must make an analysis of the consumption of raw and other materials in special groups of goods and develop a suitable system of modification and setting of norms according to which we can conduct a real discussion with every factory on the subject of the possibility of further logical material economy.

This would make it possible to use suitable economic instruments and, if they turned out to be ineffective, to make use of the restrictions on the production of goods deviating from the average in the industrialized countries. In this field firm, rigid principles must be compulsory. They must not only be used by the center, but especially in the factories, and in particular in the technological, design and planning offices.

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CSO: 2600/932

SEJM COMMITTEE DEBATE ON 3-YEAR PLAN RECOUNTED

Warsaw ZYCIE GOSPODARCZE in Polish No 17, 24 Apr 83 p 7

[Article by Tomasz Jezioranski and Slawomir Lipinski]

[Text] This year's work by the Sejm on the plan of the Committee on Economic Planning, Budget and Finances proceeded somewhat differently than the usual course. Previous bases for the discussion were reports composed by the chairmen of all of the committees as well as intercommittee groups; this time, it was limited to only the reports of the group chairmen. This sped up the deliberations, limited repetition of the same stories and problems, diminished the trade allocations as well as eliminated--to a considerable degree--proposals that are mutually contradictory. Noting these good points, one must also, however, see the weaknesses of such a course as well. Perhaps the most important weakness is the creation of an intermediate level for selection of parliamentary comments, motions and stipulations.

The bases for the discussion were the reports composed by the chairmen of the intercommittee groups (deputies L. Balcer--social policy, A. Melich--capital expenditure, L. Cegielski--foreign trade, K. Jandy-Jendroska--budget and finance, J. Grochmalicki--food, Z. Malicki--reform and the anti-inflationary program, W. Michna--the savings program) as well as the opinion of the Sejm advisory groups. Eleven deputies spoke during the discussion itself.

Throughout the entire debate, two currents clearly stood out. The first, generally with approval, dealt with the goals and tasks contained in the draft of the National Socioeconomic Plan [NPSG] as well as the anti-inflationary and savings programs. Relatively few suggestions as well as proposals for changes and improvements were voiced (the most important of them were mentioned by our reporters in the reports on the conference of committees and groups--see ZYCIE GOSPODARCZE Nr 15 and 16, p 6). This does not mean that the administrative side of the plan and programs was considered to be ideal. There were a good deal of remarks when everyone saw to what degree the proposed plans were detached from the existing needs.

If, however, the remarks and stipulations did not take on a form of uncompromising proposals and demands, then it is primarily because the deputies are fully aware of the paucity of means at their disposal, as well as the little room for strategy. The fact that, for the first time, the Sejm has been

given a plan constructed differently than in the past and, moreover, that it is a plan which is to be, by law, the directive for the government, is also not without meaning.

Before, when the multiyear plan did not have the status of law, the discussion about it could be treated as a concert of their [the discussants'] desires. Today, it is not sufficient for each proposal, which is carried, to turn out right; it also brings along with itself far-reaching changes in the construction of the entire plan. This awareness--just as the impossibility of the free operation of relations on a macroeconomic scale--forced great caution in the formulation and unyielding defense of essential changes.

However, it is characteristic that the approval of the goals and directives for activities, as well as the relatively small number of changes proposed in this area, was accompanied by fairly plentiful misgivings about the feasibility of the plan and the programs. These misgivings were closely linked with the set of imposed tasks. And this was the second, decidedly dominating current of the debate at the forum of the Committee on Planning, Budget and Finances. Nearly all of the deputies who spoke more or less expressed reservations concerning the means with which the government intends to reach the most reasonable laid out goals.

The opinion that the proposed tools for implementing the plan, and especially the programs, are so inadequate and often presented vaguely and even by means of slogans, dominated. Attention was brought to the fact that if the phraseology was to be disposed of, and a discerning analysis carried out, then it would become evident that the administrative type of implements as well as appeals have a decided advantage over the economic means. It was stressed that the lack of cohesion between the goals and the means renders it unusually difficult, and in many cases renders a consistent accomplisment of the scheduled plans simply impossible. Several deputies related these remarks to actual spheres of economic life.

So, for example, deputy L. Balcer brought attention to the lack of instruments allowing the accomplishment of changes in the employment structure as well as to give wages more of an incentive character. Deputy A. Melich wondered whether the modest investment means of enterprises will be able to transform the existing economic structure, consolidated even more by the central investment means plan. Deputy L. Cegielski stated that the pro-export orientation of the economy is appearing too weakly. Deputy K. Jandy-Jendroska spoke of the need for a more precise definition of the main principles of the economic-financial policy. Deputy A. Michna observed that the tools for implementing the savings program are, in many cases, inadequate for the very difficult and complex savings tasks; while deputy S. Roztworowski left no room for doubt, saying that this program opens many doors for a return to the system which was enjoined; on the other hand, the entire set of instruments does not come out against the stipulation or stability in the rules of the play.

Deputy M. Lubinski emphasized that, despite the slogans, the documents are not proposing systems-type solutions forcing a drop in prices, and the entire instrumentation can bring about effective activities not in stimulation, but

obstruction of enterprises. Deputy J. Jozwiak critically addressed the excessive prominence given to the formal-legal tools at the cost of the economic restructuring policy in the matter of the market and exports; and he also proposed that the instruments of the plan be supplemented by sanctions against units breaking regulations in the economic play. Deputy J. Banasik spoke of the dangerous and rapidly progressing evolution of associations on the model of the union.

However, the fullest and most expressive voice resounding in defense of the reforms was that of deputy Z. Malicki, who submitted the report worked out by the 5-man deputy group (J. Kubit, Z. Malicki, Z. Rudnicki, Z. Surowiec and S. Trojanowski). This document, to a great degree, stood in favor of the course of a discussion in committees and groups, but conclusions formulated by the Economic Consulting Council, the Polish Economic Society [PTE] and the Chief Technical Organization [NOT] as well as the pronouncement of specialists published in the columns of the professional press, were also utilized in the document. As a result, the synthesis of various outlooks and evaluations of the plan for implementation as well as both programs were represented.

The report critically assesses many solutions dealing directly with the directing of economic organizational units [plant and equipment], just as with the tools of economic policy. Mentioned as particularly undesirable are such means of implementation as: the obligation to appropriate a defined portion of the profit to the development fund, the right to assess the level of costs by the company organs (via associations), the prohibition of wage increases during the period of approval proceedings, the dependence of agreements on the granting of credits from lowered costs, the introduction of an obligatory index of the number of administrative positions in enterprises, conceding to employment departments the right to intervene in the employment policy of an enterprise, the freezing of producer prices for 3 years, as well as the entire system of indexes, and the problems of injunctions and prohibitions, included mainly in the savings program.

Moreover, the report calls attention to the fact that, in the documents, there is a lack of directives and a system for restructuring the economy, in connection with which the prospect for halting inflation is not very real; and that there is a lack of a system to eliminate subsidies for production activities, which suggests the retention of the current allocation-acceptance form of their granting; that the excess of anticipated relief denies the idea of "tight money"; that the tax system has not so much an anti-inflationary edge as an anti-incentive one; that, finally, the excess of financial means should be taken over from the enterprises not in the form of a multiplication of central funds and the taking of a portion of the amortization, but with the aid of an appropriately constructed, direct tax system.

In the closing portion of the report, the deputies' group stresses that the investments suggested in the documents must be recognized as inadequate, all the more, that the economic types of tools were replaced, at too great a degree, by a so-called direct administrative influence. The packet of means of implementation, de facto, means a return to a manual directing of enterprises by the economic center, or a return to the method which is contradictory to

the idea as well as the reform laws, and which does not guarantee the achieving of the assigned goals.

In conclusion, the document proposes that the committee assess as positive the goals and directives for activities accepted in the government documents and, on the other hand, assess as negative the means of implementation--accepted by the Committee on Reform--which should be changed, and before they are presented a second time before the Sejm. In this context, the report referred decidedly negatively to the proposition that the Sejm, in the resolution on the NPSG, obligate the government to present suggestions for changes in reform laws before the Sejm. The government--the deputies called attention--does not have its legislative initiative tied up by anyone, but there is no reason for the Sejm, before the complex evaluation of the initiation of the reforms is accomplished, to be appearing with proposals for changes in the laws.

The attitude of the Sejm advisory group was similar. Commenting on the document submitted to the deputies, professor S. Kuzinski stressed that the drafts brought before the Sejm are contradictory to the law on planning, for they contain an excess of directive indexes which, after the announcement by ministries and associations, will innundate the enterprises, paralyzing their self-reliance. The second real deficiency of the drafts is the lack of economic instruments serving to implement the designated goals, especially structural transformations and pro-efficiency activities. In their place, tools of administrative-discretion are proposed, which could lead to economic chaos or a situation in which, once again, institutions--and not economic kinds of factors--will be deciding on the allocation of means.

The Sejm advisory group also expressed the opinion that there is no internal agreement between the draft plan and the draft of the anti-inflationary program. An analysis of both documents shows that market equilibrium planned for 1985 will be of an arithmetical character exclusively, and not factual. The arrangement of indexes defining demand as well as supply is such--Prof Kuzinski remarked--that the market will not change in the course of 3 years; only the level of wages and prices will be several score percentage points higher. So, is the game worth it?

The government representatives did not accept the deputies' evaluations of the documents, arguing that the lion's share of the remarks and conclusions, which were presented, are mutually exclusive.

Appealing to the deputies for the acceptance of the presented suggestions without greater changes, the minister of finances--Stanislaw Nieckarz--turned attention to the fact that the anti-inflationary program does not end with the struggle against inflation, since a series of inflationary factors will destructively influence economic equilibrium for still a long time. Among these factors, he mentioned the prospect of a multiyear repayment of debts, a too-high level of social services and subsidies, as well as a lack of possibilities for rapid production growth. The chief of the ministry of finances rejected the deputies' thesis that the main causes of inflation are in the structures and macroeconomic policy, and he stated that inflation in the state is the sum of inflation in enterprises as well as the excess of social expenditures. In

this situation, the directives and methods of struggle proposed by the government are correct and solely effective.

Next, Deputy Premier Janusz Obodowski stated that, although the documents submitted before the Sejm do not pretend to be ideal, they are optimal under the current circumstances. It would be a mistake to hold on to economic tools then, when they either are not at all effective, or are little effective. We are of the opinion that, in similar circumstances, [the economic tools] should be replaced by means of direct administrative influence. With complete certainty--the deputy premier stressed--the plan could be better if its creators did not have their hands tied; for example, in the matter of the proportion of the share of investment outlays. In this light--he added--we cannot accept the objection that the proposed investment directives consolidate the prevailing structures.

The chairman of the Planning Committee suggested in connection with the motions presented--especially in relation to the supporting plan of government programs--by the delegates, to give them the character of an open document and, in this way, enable a flexible completion and improvement of them [i.e., the motions] in the course of their implementation by the government in its care for the protection of the standard of living for society. He also emphasized, with stress, that the Sejm should include in its resolution the obligation of the government to come forward with an initiative for change in some of the reform laws.

Deputy Jan Kaminski gave his assurance in the name of the committee that such an obligation will be retained in the resolution. Furthermore, he suggested that the treatment of the anti-inflationary and savings programs as [subpoints] to the basic resolutions of the Sejm be abandoned, but to approve them only as a guide, and in a separate resolution--without the status of a law.

The government took advantage of a several days' break in the deliberations to introduce into the draft plan several, on the whole, not very essential--as it turned out--improvements. In general, these were of a formal-stylistic nature.

Commenting on these improvements, Deputy Premier J. Obodowski informed the deputies that the government, being guided not only by their remarks but also by the results of public consultations on the programs of struggle with inflation as well as the savings programs, has determined to complete them, but it has also determined to back out of several suggestions previously contained in them. Therefore, the government is stepping away from the idea of exacting a continuous levy in case the anti-inflationary program does not meet expectations. For the time being, it has also been decided to withdraw from the suggestion contradicting the law which freezes supply prices up to 3 years. The prices will remain frozen for 3 months; and if this will not bring about the effects desired by the center, then there will be a return to the initial suggestion. The government is also not insisting on the existing formulation which establishes the fixing of obligatory deductions for the development

fund, although it is not abandoning the idea itself and--just as the deputy premier specified--it [i.e., the government] will be searching for a different solution in this sphere. Despite the promise of Minister Nieckarz, the resolutions of the draft on the entry dealing with the system of subsidizing economic activities were not completed.

Side by side, the deputies accepted the draft resolutions on the plan, still submitting editorial improvements. Deputy Zdzislaw Malicki, chairman of the Inter-Committee Group on Economic Reforms, submitted the most [improvements]. They were aimed at editing some of the entries of the resolution which, in the current form, could--as he said--evoke a reaction of discouragement in the enterprises. Nevertheless, their proposals for improvement--for ardent control by government representatives--were not adopted by the committee.

[The Committee] essentially accepted the government draft of the Sejm resolution on the NPSG without greater changes, for which Deputy Premier J. Obodowski thanked the deputies.

Just as Deputy J. Kaminski predicted, only the main directives for the anti-inflationary and savings programs were approved in a completely separate resolution. They were not treated as integrally tied to the plan and, therefore, will not be [subpoints] of the law, which gives the government the right to improve them in the course of their implementation.

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EXEMPTIONS FROM REFORM PROVISIONS CRITICIZED

Warsaw ZYCIE GOSPODARCZE in Polish No 19, 8 May 83 p 5

[Article by Antoni Maciejewski]

> [Text] The proposal about alleged provisional conditions of production and the activities of entire sections of the national economy and, subsequently, the branches and lines, as well as regions, only--finally--to reach the group of enterprises and even individually indicated economic organizational units [plant and equipment], is beginning to be more and more commonly implemented. With such a broad index as "provision," it is difficult to tell who are the actual recipients of the economic reform laws included in the statutes passed by the Sejm. After all, these laws acknowledge, either specifically (e.g., the Polish State Railways [PKP]) or by lines (e.g., the mining industry) the potential of conforming to the regulations drawn up for their provisions. And so it happened.

The Council of Ministers, by way of the decree of 28 April 1982, took advantage of the above-mentioned legal delegation, confirming by the same, that there are certain areas of the economy which demand separate systems-type regulation, yet constructed on a basis of general laws. However, it proved to be that the adopted solutions did not provide for all of those waiting in line for specific settlement of the problems which deteriorated because of them. The proposers of "provisions" declare a desire to initiate reform laws as well as, in the same breath, repeat the indigenous "but." So we learn from them that the solutions proposed by the reform are completely inappropriate for the provisions operating in a given branch, enterprise groups, and the like.

In the meantime, acceptance of the assumption that the Polish economy will determine the sum of the provisions which--barely linked to one another by the thread of economic reform laws--are to compose the economic system of operation, would be purely absurd. This would not only be a methodological error, but also an incorrect representation of the economy, which is creating a system of communicating instruments. The indiscriminate sanctioning of provisional arrangements, separated from the whole of the economy, threatens the cohesion of economic reform laws and opens the way to a systems-type pluralism. However, the worst is that the variety of systems-type solutions is, in essence,

an influence on the matter of the consolidation of an ineffective economic structure and, the halting of the processes of structural transformations. The attitude of tolerance toward the "provision" thus prolongs the crisis and furthers the creation of financial gaps.

Recognizing the need for the existence of a certain margin of provisional solutions in the economy, one should constantly oppose its expansion by cost restriction solutions commonly addressed to all economic organizational units [plant and equipment]. The experiences connected with the previous experiments in economic reforms in Poland should serve as a warning just as the historical experiences of other countries, including socialist ones.

Unfortunately oblivious to these experiences, some company and enterprise organs are concentrating their efforts to a larger degree on documenting the particular traits in the area of their activity rather than on an effective initiation of the reform. As a rule, they seek grounds of difficulties in adaptation from the point of the regulations and laws of economic play, not paying attention to, or else treating with disdain, the real sources of difficulty, depending entirely on those who are most concerned.

The gradual erosion of the past systems-type solutions furthers the position of every single demand for changes in legal acts, if they are not included in the specified "provisions." At times, there are claims of a causalistic nature. For example, the internal systems of incentives are not yet operating everywhere, but talk that the existing solutions do not make allowances for the specific wage conditions of the given employer or branch can already be heard. Suggestions for additional relief in the so-called quotas free from the liabilities of the increase of endowments to the Vocational Activization Fund [FAZ] or also for raising the correcting factor, are appearing more and more commonly. Everything is in the name of conformity to the wage mechanisms for the "provisional" conditions of employment and labor in a given economic area.

Obviously, there are no identical branches, groups or enterprises, but neither are there universal models according to which statements or provisions could be made. In keeping with the economic reform--an increase in the incentive function of wages is being found in the management of enterprises and their staff, and should depend precisely on actual working conditions. Only they are qualified to select the appropriate forms of endowments and bonuses. Expectations of central solutions is a renouncement of the institution of the reforms. That it could proceed otherwise is shown by examples of the activities by a series of enterprises, which were able to bring about a symbiosis of the reforms, with the provisions of their own production and working conditions.

The "provisions" are a continuation, in a new form, of group parochialism which, through their own activity in the 1970's, strengthened economic voluntarism; and they play a major role in today's crisis. After all, precisely to groups of branch or regional influence do we owe this perfect control of the so-called idea of the simple plan, consisting of the lowering of results of the plan and the raising of outlays.

One would think that the principle--take much, give little--is already a thing of the past. However, it appears not to be so. The demand for provisional regulations, there where no such need exists, constitutes the continuation of old habits and customs by a portion of the managerial staff in the solving of economic problems. These provisions, economically unjustified--but dictated merely by narrow group interest--are an attempt to negotiate concessions and a relaxation of the rigors of reform for themselves. Their aim is to achieve a state of abundance in financial and material supplies, with a simultaneous reduction in demands for efficiency.

The occurrence of the bandying about of "provisions" appears especially clearly in the area of reduced rates and tax exemptions, which should--supposedly--belong to the worst and not to the best. The granting of reduced rates to the [efficient] one, allegedly should act in an anti-effective way and is unfair, while the awarding of reduced rates to the second-rate one acts as an incentive because it spurs it on to better and more productive work.

This philosophy is fundamentally erroneous and economically harmful. If someone is already efficient, then why would he not continue to be even more efficient? Are we concerned with the stimulation of development or with stagnation?

The meaning of reduced tax rates is not at all an easing of one's share in bearing financial burdens, but a reward for the efficient use of production resources. The advantage of applying reduced rates to the efficient one is twofold, since the additional means guarantee an increase in profit and the increase of additional financial returns in the subsequent years. The granting of reduced rates to the weak one is a depletion of current financial returns and a faint hope for their increase in the future. This de facto subsidy is merely elegantly termed. But it is an indirect warning sign to the best ones, that new taxes are imminent. In order to give to someone, it must first be taken away from someone.

Compliance with the illusion of a "provision" furthers a cult of mediocrity, which appears especially sharply in the system of compensatory bookkeeping. One can give as a bad example the application of this bookkeeping in the cement industry. In 1982, the budget lost about 3 billion zlotys in the production of cement. An elimination of the subsidy is forecast for 1983. But--how! Well, the deficits of certain enterprises (as a rule, producing in the so-called wet method) will be covered by the surpluses of enterprises producing in the so-called dry method. And all of this is under the circumstances of the excess in cement production. A retreat to the subsidy will, thus, only superficially solve the problem: subsequently, a better producer will be financing a worse one.

The question arises: should the process of structural changes and improvements in effective management be retained for the sake of respect for the supposed provision of the cement industry?

The conferring of "provisional" status to a greater and greater number of branches, divisions, lines, associations and enterprises, and the process of the individualization of systems-types solutions indicates an increase in

approval and allocation; in other words, a reproduction of the corporation system of direct steering by economic processes. The continuation of this process is a reduction in the effectiveness of reform activities.

The range of provisional solutions, especially those dealing with the directory, should be absolutely restricted then. The main goal should be the improvement of the basic economic reform instruments, and not the broadening of the margin of provisional systems-type regulations. The alternative of adapting reforms to the specified "provision" and not adapting the "provision" to the economic reform laws is erroneous, and it bodes ill for the struggle, with the aid of the reforms, against the crisis.

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CSO: 2600/863

SFRY DAILIES REACT TO FOREIGN PAYMENTS LAWS

[Editorial Report] AU081533 Following the adoption of laws on foreign payments in the SFRY Assembly Chamber of the Republics and Provinces in the early hours of 3 July, Yugoslav dailies--including BORBA, POLITIKA, and DELO on 5, 6 and 7 July--have carried several commentaries and reported on the reaction to the laws.

Delgrade BORBA in Serbo-Croatian on 5 July on page 1 carries a 1,000-word commentary by Dara Vucinic, "Facing the Truth," which begins:

"There is no doubt any more: our country is in a deep crisis. There is also no dilemma any more about a second certainty. It was the 12th hour that this truth, full and complete, was brought before the entire workers class of this country, before every man, before the people.

"It is also very good that there is also no doubt that there is a way out. It is not at all easy, not at all quick, but it is a way out nevertheless. And it is good that one knows precisely what is the way leading to it, one single way, but nevertheless a way. It is called unity."

Vucinic paraphrases statements by Milka Planinc, president of the Federal Executive Council, in her assembly speech, says that nobody can shed responsibility for the excessive debts and failed investments in the past, and stresses that it is important that the highest federal, republican, and provincial bodies gave their consent to the new measures. The working people of all the republics and provinces will make the necessary sacrifices if they will be able to decide on it by themselves and if the market will indeed be unified over the whole country.

On the same day, BORBA on page 2 carries a 600-word commentary by Jovan Radovanovic entitled "No More of 'We'll Manage Easily'" which says that during the 2-day discussions in the Assembly Committee for Economic Relations with Foreign Countries, "there was some beating of one's chest and patriotic appeals that one should not bend one's knee to foreign pressure and that the gentlemen who now demand (their own) money back should be plainly told 'No.'

"Although there were painful situations and serious rows, the spirit of the majority of the delegates and officials did not sag, and there were even jokes and stories circulating in the Assembly building which, apart from all the bitterness, in fact tell everything." One of the officials involved in negotia-

tions with foreign bankers said that some of the people who had heartily contributed to excessive borrowing were now most vociferous in protecting the country from creditors. Radovanovic says that the time of borrowing and saying, We'll manage easily, has passed. The laws adopted may be a good basis for a change.

"It is not only a matter of our debts abroad which we will have to pay under onerous conditions. It is also the matter of the internal liquidity shortage, on mutual debts within the country which according to many estimates even exceed the foreign debts, and what is even more grave, are increasing from day to day.

"Unless we therefore change the practice of borrowing today and discussing repayments tomorrow, the chance opened with these laws and the laws which are yet to be drafted may remain a chance only," Radovanovic concludes.

Belgrade POLITIKA in Serbo-Croatian on 5 July on page 1 carries a 1,000-word commentary by Zvonko Logar entitled "The Second Act of the Drama Begins," which refers to "2 days of feverish harmonization of views" and the early Sunday session of the Chamber of the Republics and Provinces which adopted three laws and a decree "of decisive importance for our country and its international prestige." The assembly events were only the closing scenes of an act devoted mostly to "difficult negotiations" with foreign debtors. "Some delays in the repayment of debts which occurred several times this year made our negotiating position considerably more difficult." The Federal Executive Council finally decided to accept foreign conditions, but the fate of the decision was in the hands of the assembly.

Logar explains the chain of guarantees accepted for foreign debts and says that the alternative was to proclaim a moratorium on all debts which would mean that the flow of foreign credit would be turned off. The first act of the drama was ended in the assembly on Sunday, when "after much to-and-fro, reason and the feeling for the interests of the whole won when our country faced a grave trial." As Milka Planinc said, one should now embark on big changes demanded by the stabilization program. "The second act of our drama will be mobilization in this direction," Logar concludes.

Ljubljana DELO in Slovene on 5 July on page 1 carries a 200-word "Topic of the Day" commentary by Branko Podobnik under the title "Sobering Up," which says that in the alternative between obtaining new loans and repudiating the old ones "Yugoslavia has decided for the first possibility, which undoubtedly is more honorable, courageous, demanding, and also more promising." Foreign loans will only help if "everybody will sober up when faced with the bitter truth." The old mistake of misusing loans must not be repeated. "One should abandon fruitless thinking about the onerous conditions set by foreign creditors. It should be replaced by acting in such a way that the assumed obligations will be consistently implemented. This is the only way to avoid unpleasant consequences," Podobnik says.

Belgrade BORBA on 6 July on page 3 carries a 400-word article by D.V., "Experience and Controllers," which explains Article 12 of the new Law on Payments

in Convertible Foreign Exchange. The article provides that controllers appointed by the governor of the National Bank of Yugoslavia must approve any foreign payment by an authorized bank except for the "fixed and guaranteed obligations." It is a strict provision, but "those who are informed know that it would have been better if such articles binding on banks' behavior had been in force earlier." It would have prevented excessive borrowing and poor utilization of loans, which has made foreign lenders lose confidence in such borrowers.

Within an 800-word report by Jasna Aleksic on the discussions in the assembly committee last weekend, carried in BORBA on 5 July on page 2, there is a 400-word boxed report on proposed amendments to the law on foreign commodity credits which at that time could not be agreed upon in the committee. It explains that until now, the underdeveloped republics and Kosovo have enjoyed priority in utilizing World Bank loans for structural adjustments of the economy. The proposed amendments provided that the loans will be used for the importation of production materials and will be granted to those work organizations which promise to export and to repay the loan on time. "The underdeveloped regions can never offer the same conditions for obtaining loans as the developed ones, the delegates of Montenergro, Kosovo, Macedonia, and Bosnia-Hercegovina asserted. This means that they have poor prospects of obtaining foreign exchange." The views could not be harmonized and the proposal was postponed. "It is not rare that delegates are split during a harmonization of views: the developed on one side and the underdeveloped on the other. The most important thing, however, is that when the discussion of this bill is resumed, nobody will lose sight of the need to find a solution which will be most favorable for the whole country."

BORBA on 6 July on page 4 carries a 500-word report by J. Kesic on a 5 July morning session of the Committee for Economic Relations with Foreign Countries which again failed to reach agreement on proposed amendments to the law on foreign commodity credits, although the discussion lasted 4 hours.

"The bone of contention in the discussion today were different opinions on who should obtain this foreign exchange. The delegates of the underdeveloped republics and Kosovo believe that the law need not be adopted because, as Asan Kerim (Macedonia) said, the Social Development Plan for 1981-1985 provides that Serbia without provinces gets 15 percent of any World Bank loan, the underdeveloped republics and Kosovo get 73 percent, and the rest of the country 12 percent." This should also apply to the present credit of $275 million approved by the World Bank.

Kesic says that Joze Florijancic, federal secretary for finance, spoke in the committee. "This credit was obtained by Yugoslavia, and any regional distribution is out of the question, Florijancic energetically asserted. I am surprised by the position of some delegations which want to obtain this credit for 15 years and which implicitly assume that they will never repay it. According to the agreement with the World Bank, this credit should be 'turned over' 15 times in these 15 years. Therefore it must be invested in existing production facilities to increase exports, and not in the construction of projects which may run up losses."

Kesic reports that Florijancic recalled that last year some $400 million commodity credits were not utilized. The Federal Executive Council could not agree to a territorial distribution. A break in the session of the committee was used for consultations, which the Montenegrin delegation could not carry out "because telephone links with Montenegro were down." Momcilo Cemovic, delegate of Montenegro, then proposed that the amendments should apply only to the present $275 million loan by the World Bank and that any work organization which feels deprived may appeal to the Federal Secretariat for Finance.

"Refusing to give his consent, Mustafa Pljakic, delegate of Kosovo, further insisted that the Federal Executive Council should once again examine the possibility that this loan be allocated according to the social plan formula or that the amendments to the law should stipulate that collectives from underdeveloped regions have priority." The committee adjourned for the afternoon, Kesic reports.

A 500-word Tanjug report on the same session of the committee is carried by POLITIKA on 6 July on page 7.

On 7 July, BORBA on page 4 and POLITIKA on page 6, in a 200-word and 100-word report respectively, report that the chamber of the republics and provinces at its session on 6 July adopted the amendments to the Law on Commodity Credits, applying to the $275 million loan by the World Bank. POLITKA says: "It was resolved that the credits will be granted to those who will guarantee their repayment within 1 year. Under the same conditions, basic organizations of associated labor in underdeveloped regions will have priority in obtaining these credits."

CSO: 2800/362

LAW ON COOPERATION IN TECHNOLOGY WITH FOREIGN PARTIES

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 30, 17 Jun 83 pp 917-928

[Revised text of 1978 law incorporating 1983 amendments and supplements: "Law on Long-Term Industrial Cooperation, Business-and-Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons"]

[Text] On the basis of Article 17 of the Law on Amendments and Supplements to the Law on Long-Term Industrial Cooperation, Business-and-Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons (SLUZBENI LIST SFRJ, No 10, 1983) the Legislative and Legal Commission of the Chamber of Republics and Provinces of the SFRY Assembly, in a session on 20 April 1983, has approved the revised text of the Law on Long-Term Industrial Cooperation, Business-and-Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons.

The revised text of the Law on Long-Term Industrial Cooperation, Business-and-Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons incorporates the following: the Law on Long-Term Industrial Cooperation, Business-and-Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons (SLUZBENI LIST SFRJ, No 40, 1978) and the Law on Amendments and Supplements to the Law on Long-Term Industrial Cooperation, Business-and-Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons (SLUZBENI LIST SFRJ, No 10, 1983), in which the date is indicated when the respective laws take effect.

Belgrade, 20 April 1983

Marjan Markovic (signed),
Chairman of the Legislative and Legal Commission of the Chamber of Republics and Provinces of the SFRY Assembly

Law
on Long-Term Industrial Cooperation, Business-and-Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons

I. Basic Provisions

Article 1

Long-term industrial cooperation, business-and-technical collaboration and the acquisition and granting of rights to technology between organizations of associated labor and foreign persons shall be regulated by this law.

Article 2

The purpose of engaging in long-term industrial cooperation, business-and-technical collaboration and the acquisition and granting of rights to technology shall be the inclusion of the Yugoslav economy in the international division of labor on an equal footing, cooperation with countries in the world, especially the developing countries, improvement of the production process, the organization of large-scale production and export of products from that production, improvement of product quality, the mastering and development of new products, technical and technological development, higher labor productivity, development of scientific research, more successful business operation and better utilization of capacity, raw materials and energy, environmental protection, optimum augmentation of exports, reduction of imports, equilibrium of the balance of payments and the exchange balance, improved supply of the domestic market and more stable economic development.

Article 3

The contract on long-term industrial cooperation, the contract on business-and-technical collaboration, the contract on acquisition of rights to technology and the contract on granting such rights must be concluded in writing and for a specified time.

A contract not concluded in writing and a contract which is not for a specified time shall be null and void.

A contract shall become valid after approval by the federal administrative agency competent for affairs of energy and industry.

Article 4

The contracts referred to in Article 3 of this law may not be counter to the Yugoslav social plan, to agreements on the bases of the Yugoslav social plan, to the social plan of the republic or social plan of the autonomous province, to an agreement on the bases of the social plan of the republic or autonomous province, nor to social compacts and self-management accords which the organization of associated labor has concluded.

The contracts referred to in Article 3 of this law and the performance of such contracts must be in conformity with the projection of Yugoslavia's balance of payments and the projection of Yugoslavia's exchange balance, with the projection of the payments-balance position of the republic or autonomous province and the projection of the exchange-balance position of the republic or autonomous province, as well as with the self-management accord concluded within the framework of the self-managing community of interest for foreign economic relations of the republic or autonomous province which the organization of associated labor has concluded.

II. Long-Term Industrial Cooperation

Article 5

Through long-term industrial cooperation the organization of associated labor and the foreign person ensure that the production and trade of products which are the subject matter of that cooperation are optimal from the technical and economic standpoints and with respect to technology, raw materials and energy, and they also achieve the application of up-to-date technical advances.

Article 6

For the purpose of this law "long-term industrial cooperation" means long-term cooperation between an organization of associated labor which is a producer and a foreign person consisting of joint development programming, joint organization of production, joint production, and mutual deliveries of products and component parts of products, as follows:

1) long-term cooperation in which they deliver to one another component parts which they incorporate into the same products or into products of the same kind;

2) long-term cooperation in which the foreign person delivers to the organization of associated labor component parts of a product, while the organization of associated labor delivers to the foreign person the finished product into which it has incorporated those component parts and parts which it itself has produced, or long-term cooperation in which the organization of associated labor delivers to the foreign person component parts of a product, while the foreign person delivers to that organization the products into which those component parts have been incorporated;

3) long-term cooperation in which the foreign person delivers to the organization of associated labor raw materials or semifinished products, while the organization of associated labor delivers to the foreign person products into which it has incorporated those raw materials or semifinished products;

4) long-term cooperation in which they deliver the following to one another:

i) component elements of a system or installation which serve to round out or complete industrial, power engineering, agricultural, transportation or other systems or installations;

ii) component elements (electronic, pneumatic, hydraulic, precision mechanical, precision electrical, etc.) which serve to round out or complete monitoring, regulating, control and data processing systems and devices;

5) long-term cooperation in which the organization of associated labor delivers to the foreign person component elements of a system or installation which serve to round out or complete the system or installation or component elements (electronic, pneumatic, hydraulic, precision mechanical, precision electrical, etc.) which serve to round out or complete monitoring, regulating, control and data processing systems and devices, while the foreign person delivers to the organization of associated labor the finished installation or system in which it has incorporated or included the component elements delivered by organizations of associated labor and elements of its own manufacture;

6) long-term cooperation in which the foreign person delivers to the organization of associated labor component elements of a system or installation as referred to in Subparagraph 5 of this paragraph which serve to round out or complete the system or installation, while the organization of associated labor delivers to the foreign person the finished installation or system in which it has incorporated or included the elements delivered by the foreign person and elements of its own manufacture;

7) long-term mutual cooperation in the production and delivery of finished products of the same kind.

The cooperation referred to in Paragraph 1, Subparagraphs 4-6, of this article may be engaged in provided the component elements are incorporated into a system or installation which constitutes a complete engineering and technological entity and is a final product.

Article 7

For the purpose of this law "component parts" means parts, components, materials, as well as spare parts, which are incorporated into the product which is the subject matter of long-term industrial cooperation.

A component part produced by the organization of associated labor which is a principal in the cooperation, or which has been produced by its subcontractors, shall be regarded as a component part of its own manufacture.

For the purpose of this law "kind of product" means products which have the same or similar parts and which serve the same or a similar purpose.

Parts of finished products and finished products used for the same purpose without which the system or installation cannot function with the same effect shall be regarded as component elements of the system or installation.

Article 8

Long-term industrial cooperation carried on between one or more organizations of associated labor and one or more foreign persons from one or more countries

(multilateral cooperation) shall also be regarded as long-term industrial cooperation.

Article 9

The contract on long-term industrial cooperation may not provide that the organization of associated labor and foreign person produce and deliver to one another an identical component part or an identical product within the same time interval.

Article 10

Cooperation which exclusively involves the rendering of services shall not be regarded as long-term industrial cooperation.

Article 11

An organization of associated labor may in conformity with regulations perform the work of long-term industrial cooperation alone or in cooperation with other organizations of associated labor which are producers provided it has concluded with them a self-management accord on long-term industrial cooperation (subcontractors).

Article 12

The value of component parts for products imported on the basis of a contract on long-term industrial cooperation may not be greater than the value of component parts or products exported on the basis of that contract.

Article 13

An organization of associated labor, together with its subcontractors, must organize the production of component parts whose value amounts to at least 15 percent of the unit value of the final product which is the subject matter of cooperation and which is produced by that organization.

On recommendation of the competent body of the republic or province, the federal administrative agency competent for affairs of energy and industry may approve a contract on long-term industrial cooperation even if that contract envisages a smaller percentage than the percentage stated in Paragraph 1 of this article if it judges that this will contribute to accomplishment of the goals enumerated in Article 2 of this law.

Article 14

An organization of associated labor is required to commence production and delivery of component parts included in the percentage referred to in Article 13 of this law within a period of 1 year from the date when the contract on long-term industrial cooperation became valid.

On recommendation of the competent body of the republic or province the official heading the federal administrative agency competent for affairs of energy and industry may grant consent that the component parts representing the percentage referred to in Article 13 of this law be produced and delivered within a period longer than the period stated in Paragraph 1 of this article.

When the decision is being made on granting the consent referred to in Paragraph 2 of this article, an assessment shall be made of the complexity of the product and of the time necessary to organize production and to acquire or build the plant and equipment.

The provision of Paragraph 2 of this article shall not pertain to long-term industrial cooperation whose duration stated in the contract is 3 years.

Article 15

An organization of associated labor may conclude a contract on long-term industrial cooperation only with a foreign person who participates in the production of the component parts or products which are the subject matter of the cooperation.

An organization of associated labor may conclude a contract on long-term industrial cooperation with a foreign person who does not directly participate in the production of component parts or products which are the subject matter of the cooperation if statutes of the foreign person's country prohibit conclusion of a contract with the foreign person referred to in Paragraph 1 of this article.

The foreign person may fulfill the contract referred to in Paragraph 1 of this article with deliveries from his branches which are located in countries other than the domicile of the parent enterprise.

Article 16

An organization of associated labor may conclude a contract on long-term industrial cooperation with a foreign person if the organization is capable of performing the tasks of long-term industrial cooperation envisaged in that contract and if it possesses or has made provision for the appropriate production technology.

An organization of associated labor is capable of performing the tasks of long-term industrial cooperation if it has the appropriate trained personnel and facilities for performance of those tasks, including equipment, or if it has made provision for the trained personnel and funds to build the facility or purchase the equipment.

The capability of an organization of associated labor to engage in long-term industrial cooperation with a foreign person who produces armament and military equipment shall be judged by the federal administrative agency competent for affairs of national defense.

Article 17

A contract on long-term industrial cooperation shall be concluded for a term of at least 5 years.

On recommendation of the competent body of the republic or province the official heading the federal administrative agency competent for affairs of energy and industry may grant permission for a contract on long-term industrial cooperation to be concluded for a term of no less than 3 years.

The permission referred to in Paragraph 2 of this article may be granted if the technology being applied is one which is changing rapidly, if the organization itself can organize production of the product which is the subject of cooperation, or if the cooperation is one whose goals can be achieved in a period shorter than the term stated in Paragraph 1 of this article.

The official heading the federal administrative agency competent for affairs of national defense shall exercise the power referred to in Article 14, Paragraph 2, of this law and Paragraph 2 of this article with respect to long-term industrial cooperation in the field of armament and military equipment.

Article 18

A contract on long-term industrial cooperation must stipulate regular exchange of information between the organization of associated labor and the foreign person concerning all technical and technological innovations and technical improvements relevant to the subject of cooperation so that all participants in cooperation can apply them in their production in good time.

Article 19

Organizations of associated labor in productive activities may conclude a contract on long-term industrial cooperation with a foreign person under the conditions prescribed by this law.

A contract on long-term industrial cooperation for production of armament and military equipment may be concluded with a foreign person under the conditions prescribed by this law only if the interests of national defense and other particular public interests which are the purpose of the contract's conclusion can be realized through that cooperation; this question shall be decided by the federal administrative agency competent for affairs of national defense.

III. Business-and-Technical Collaboration

Article 20

For the purpose of this law "business-and-technical collaboration" means collaboration of an organization of associated labor and of a foreign person consisting of the following:

1) joint research and development of inventions, engineering and technological innovations and technical improvements on the basis of a program jointly arrived at;

2) joint research, design, preparation of documentation and organization of the production of a particular product on the basis of a specific material right to technology;

3) joint market research with a view to sale of the products produced in a joint venture (joint investment, long-term industrial cooperation or business-and-technical collaboration);

4) joint production of products for joint sale on the market;

5) joint efforts on a foreign market related to engineering work and other transactions other than efforts made exclusively for the sale and purchase of goods and the rendering of services;

6) joint maintenance of devices and instruments and joint training of personnel to work with devices and instruments;

7) joint scientific research and joint studies related to specific topics of interest to the country.

Article 21

An organization of associated labor may conclude a contract on business-and-technical collaboration with a foreign person under the following conditions:

1) provided the collaboration is based on present-day technical advances;

2) provided the organization of associated labor is capable of the production or of the rendering of services which are the subject of collaboration;

3) provided the contract guarantees the business efficiency and advancement of production and rendering of services.

An organization of associated labor is capable of carrying on business-and-technical collaboration if it has a long-term production and development program and if it has made provision for the appropriate equipment and other facilities, production technology and appropriate trained personnel or has issued a guarantee that it will make such provision.

IV. Acquisition and Granting of Rights to Technology

Article 22

For the purpose of this law "rights to technology" means rights to creations and rights to technical manufacturing documentation.

For the purpose of this law "rights to creations" means patent rights, rights to industrial designs or models, and rights to a protected symbol (manufacturing mark or trademark and service mark).

For the purpose of this law "rights to technical manufacturing documentation" means rights to the complete technical and technological documentation for the production of one or several products, part of a product or chemical substance.

For the purpose of this law "knowledge and experience" means the body of up-to-date technical and technological knowledge and experience and skill, including as well specifications of raw materials, production and processing standards, processing techniques and secrets of proprietary procedures, and also quality control and other data which can be applied in industrial and other production. "Knowledge and experience" also covers reports and instructions pertaining to the programming, production, use and maintenance of products, and it may also cover market research methodology.

The provisions of this law on acquisition and granting of rights to technology shall also apply to the acquisition and granting of knowledge and experience.

Article 23

An organization of associated labor may conclude a contract on acquisition of rights to technology only if it acquires thereby up-to-date technology which cannot be acquired in the Socialist Federal Republic of Yugoslavia under approximately the same conditions.

Article 24

The contract on acquisition of rights to technology must include the following:

1) a detailed list of the goals which the recipient wishes to achieve by concluding the contract and the specific conditions under which, conformant to the nature of the undertaking, the technology transferred will be used (personnel, equipment, raw materials, intermediate products, energy, etc.);

2) a guarantee by the transferor of the technology that the technology transferred, the manner of its transfer and the documentation are complete and adequate to attainment of the goals agreed on in the contract in view of the conditions under which the technology will be used;

3) an obligation on the part of the transferor of the technology that he will provide appropriate training of the personnel of the recipient of the technology in the use of the technology, when such a request is made by the recipient of the technology;

4) an obligation on the part of the transferor of the technology that during the life of the contract he will inform the recipient of the technology and make available to him, at his request, and under the conditions envisaged in

the contract which has been concluded and approved, all improvements, including inventions on which patents have been applied for or issued in connection with the technology transferred which are in the possession of the transferor of the technology, as well as the knowledge necessary to their use;

5) the opportunity to purchase raw materials, production supplies, spare parts and equipment which are related to the technology transferred and which the transferor of the technology possesses, consideration being given as well to price competitiveness;

6) a guarantee by the transferor of the technology (by specifying penalties or reimbursement of loss or in some other manner) that the results specified in the contract will be attained within the period foreseen, provided the recipient of the technology abides by the instructions of the transferor of the technology;

7) a guarantee of the foreign person that the use (application) of the rights to technology does not harmfully affect human life and health or property or the environment, or instructions as to protection against the harmful effects to human life and health, property and the environment if such effect may occur;

8) a guarantee of the transferor of the technology that he will reimburse the recipient of the technology or a third party the loss which has occurred through use of the technology or products manufactured by its application if the technology was used in conformity with the provisions of the contract or according to the instructions of the transferor of the technology;

9) the rights and obligations of a party to the contract should the rights of third parties be infringed by the granting of the rights to technology and by the offering for sale of products produced according to that technology;

10) the guarantee of the parties to the contract that information stated in the contract to be confidential shall be regarded as a trade secret.

On the recommendation of the competent body of the republic or province, the federal administrative agency competent for affairs of energy and industry may as an exception approve a contract on acquisition of rights to technology even if it does not contain some guarantee or obligation as stated in Paragraph 1, Subparagraphs 2-10, of this article, if it judges that this will not produce harmful consequences.

Article 25

Compensation for the technology transferred must be specified in the contract, and if this is not possible--all elements for determination of the compensation must be specified in the contract.

Compensation for elements related to transfer of knowledge, including equipment, other goods and services, shall be specified separately in the contract.

The compensation referred to in Paragraph 2 of this article may not cover the following:

1) payment for components, parts of products or services in which the technology transferred has not been used;

2) cumulative payment for parts and the entire product;

3) an increase of the compensation per unit of the product if the number of units of the product increases beyond the amounts specified in the contract;

4) payment of additional amounts for export to particular countries.

Article 26

An organization of associated labor may conclude a contract on acquisition of material rights to technology with a foreign person if it has met these conditions:

1) if the organization of associated labor is capable or issues a guarantee that it will be capable of the production of products or the rendering of services under the acquired rights to technology;

2) if the acquired rights to technology ensure advancement and greater business efficiency of production or the rendering of services;

3) if the production or rendering of services under the rights to technology acquired is conformant with the country's economic development, the social plans which have been adopted and the agreements on the bases of social plans referred to in Article 4, Paragraph 1, of this law;

4) if the rights to technology guarantee effective use of raw materials and environmental protection;

5) if conditions have been secured for further advancement of the technical and technological development of the rights to technology acquired.

Article 27

An organization of associated labor is capable of production or of rendering services under the rights to technology acquired if it has a long-range development and production program and if it has secured or issued a guarantee that it will secure the appropriate equipment and other requisites and appropriate personnel.

Article 28

The organization of associated labor must commence production or the rendering of services under the rights to technology acquired within a period of 2 years from the date when the contract on granting rights to technology became valid.

The official heading the federal administrative agency competent for affairs of energy and industry may grant consent for the period stated in Paragraph 1 of this article to be extended to more than 2 years; the complexity of the product and the time necessary to organize production and acquire or build equipment and plant shall be evaluated in that connection.

Article 29

An organization of associated labor may conclude a contract on the granting of right to technology unless such conclusion is contrary to the interests of the country's defense or security, the interests of the economy, or other interests of the Socialist Federal Republic of Yugoslavia or the rights of third persons are thereby infringed.

Article 30

The provisions of this law on the acquisition of rights to technology and the granting of such rights shall pertain to the acquisition and granting of all rights to technology and to the acquisition and granting only of the right of use.

The provisions of this law which pertain to contracts on acquisition of rights to technology and the granting of such rights shall also pertain to contracts on long-term industrial cooperation and to contracts on investment of the capital of foreign persons in organizations of associated labor, if those contracts also regulate the acquisition of rights to technology and the granting of such rights.

V. Conclusion of the Contract

Article 31

The contract on long-term industrial cooperation, the contract on business-and-technical collaboration, the contract on acquisition of rights to technology and the contract on the granting of such rights must among other things contain the following: trade names or names and addresses of parties to the contract, the subject of the contract, the price or elements from which the price can be determined, the date and place of the contract's conclusion, the date of commencement of production and the term for which the contract was concluded.

A contract on long-term industrial cooperation must also contain provisions concerning the joint development program, the organization of production and the date of commencement of delivery of component parts and/or products, and an itemized list of the component parts and/or products which are the subject of cooperation.

A contract on long-term industrial cooperation concluded between an organization of associated labor and a foreign person must specify the following: the foreign currency to be used in accounting and/or payment and the times when accounting and/or payment are to be done, and the manner of payment of mutual

deliveries of component parts and/or products which are the subject of cooperation.

Article 32

A contract on long-term industrial cooperation may be concluded by a basic organization of associated labor which is a producer. A contract on business-and-technical collaboration may be concluded by a basic organization of associated labor which is a producer or any other basic organization of associated labor. A contract on acquisition of rights to technology and a contract on the granting of such rights may be concluded by a basic organization of associated labor which is a producer or by a basic organization of associated labor whose activity is scientific research.

The contract referred to in Paragraph 1 of this article may also be concluded by a work organization and by a complex organization of associated labor, in conformity with the self-management accord on entry into association [whereby the basic organizations of associated labor formed the work organization or complex organization of associated labor--translator's note].

If in conformity with the self-management accord on entry into association a foreign person by a work organization or complex organization of associated labor, that contract shall designate one or several basic organizations of associated labor which are producers or a basic organization of associated labor whose activity is scientific research which are to exercise the rights and discharge the obligations under that contract.

A business community [group of heterogeneous organizations combining to perform a particular type of work--translator's note] may conclude with a foreign person the contract referred to in Paragraph 1 of this article on the account and in the name of a member organization of associated labor which is a producer or member basic organization of associated labor whose activity is scientific research in conformity with the self-management accord on entry into association to form the business community.

The rights and obligations arising out of the contract concluded in the context of Paragraph 4 of this article shall be enjoyed and discharged by the organization of associated labor which is a producer or by the basic organization of associated labor whose activity is scientific research designated in the contract.

A contract as referred to in Paragraph 1 of this article which pertains to armament and military equipment to meet the needs of the armed forces of the Socialist Federal Republic of Yugoslavia or to fulfill the international obligations of the Socialist Federal Republic of Yugoslavia under a decision of the Federal Executive Council shall be concluded by the federal administrative agency competent for affairs of national defense or the Federal Directorate for Sales and Reserves of Special-Purpose Products.

The Federal Directorate for Sales and Reserves of Special-Purpose Products may conclude a contract with an organization of associated labor and conclude a

contract as referred to in Paragraph 1 of this article pertaining to armament and military equipment in order to meet the needs of that organization and in its name and on its account.

Should the goals of national defense so require, the official heading the federal administrative agency competent for affairs of national defense may in exceptional cases grant permission for an organization of associated labor to conclude a contract as referred to in Paragraph 1 of this article pertaining to armament and military equipment.

VI. Contract Approval and Registration

Article 33

The contract on long-term industrial cooperation, the contract on business-and-technical collaboration, the contract on acquisition of rights to technology and the contract on the granting of such rights, amendments and supplements to such contracts, and extension of the life of such contracts shall be subject to approval by the federal administrative agency competent for affairs of energy and industry.

The federal administrative agency competent for affairs of energy and industry shall approve extension of the life of a contract on long-term industrial cooperation if that contract guarantees that the production of the product covered by the contract will be taken over to a higher degree and a contract on acquisition of rights to technology if that contract provides for new technology.

On the recommendation of the competent body of the republic or province the federal administrative agency competent for affairs of energy and industry may as an exception approve extension of the life of a contract on long-term industrial cooperation and extension of the life of a contract on acquisition of rights to technology which do not meet the conditions stated in Paragraph 2 of this article if domestic production has taken over so high a portion of the product that a further increase would be inadvisable or if there exists some other public interest.

An organization of associated labor must file an application for approval of a contract on long-term industrial cooperation, a contract on business-and-technical collaboration, a contract on acquisition of rights to technology or a contract on the granting of such rights, or an application for amendments and supplements to such contracts or extension of the life of such contracts within 60 days from the date of the contract's conclusion.

Article 34

The organization of associated labor must append the following to the application for approval of a contract on long-term industrial cooperation, a contract on business-and-technical collaboration, or a contract on the acquisition of rights to technology:

1) authentic texts of the contract and certified translations of the contract into one of the languages of the nationalities of Yugoslavia if the contract has been drawn up in a foreign language;

2) five copies of the economic-engineering-technological study;

3) five copies of the opinion of the competent body of the republic or province concerning the justifiability of conclusion of such contracts and concerning the capability of the organization of associated labor to discharge the obligations arising out of such contracts;

4) the opinion of the competent body of the Yugoslav Economic Chamber concerning the contract concluded and concerning the business reputation and soundness of the foreign party to the contract.

Article 35

An organization of associated labor must append to the application for approval of a contract on long-term industrial cooperation the opinion of the self-managing community of interest for foreign economic relations of the republic or province to the effect that the import and export of parts and products which the organization of associated labor will import and export during the life of the contract on cooperation is in conformity with the imports and exports and payments-balance positions of the republic or province.

An organization of associated labor must append to its application for approval of a contract on business-and-technical collaboration evidence that all payments to the foreign person under the contract that has been concluded and during the life of the contract have been registered with the self-managing community of interest for foreign economic relations of the republic or province.

An organization of associated labor must append to its application for approval of a contract on acquisition of rights to technology evidence that all the payments to the foreign person under the contract which has been concluded and during the life of the contract have been registered with the self-managing community of interest for foreign economic relations of the republic or province and the opinion of the Yugoslav Bureau for Standardization to the effect that the standards of the products which will be produced according to the technology acquired are not contrary to Yugoslav standards and established principles concerning component interchangeability and agreement to limit purchases and use to certain models, unless such products are intended for export.

If rights to creation are acquired under the contract, the organization of associated labor must also append a statement of the Federal Bureau of Patents on whether and in what manner that right is protected and a report on the state of engineering and technology in the world which can be applied to production of the products which would commence after the right to creation is acquired.

If a license for production of medical drugs or for production of chemical agents for the protection of plants is acquired under the contract, instead of the opinion referred to in Paragraph 3 of this article, the organization of associated labor is required to obtain a decision releasing such drug or chemical agents for the protection of plants for sale issued by the federal administrative agency competent for affairs of labor, health and social welfare or the federal administrative agency competent for affairs of agriculture.

The organization of associated labor must append to the application for approval of a contract on acquisition of the right to a trademark the opinion of the Yugoslav Bureau for Standardization referred to in Paragraph 3 of this article and the statement of the Federal Bureau of Patents referred to in Paragraph 4 of this article.

The opinions referred to in Articles 34 and 35 of this law must be supported by arguments and must be furnished within 45 days from the date of receipt of the request.

If the bodies and organizations referred to in Articles 34 and 35 of this law do not furnish their opinion within 45 days from the date of receipt of the request, it shall be assumed that the opinion of those bodies and organizations is favorable.

Article 36

The economic-engineering-technological study referred to in Article 34, Subparagraph 2, of this law shall specifically contain the following:

1) basic information about the domestic organization of associated labor and the foreign person;

2) basic information about engineering and flowcharts;

3) information on the technology used for the same production and the arguments for selecting the technology which is the subject of the contract, information on labor productivity, earnings and business profitability, data on elements used as the basis for determining the price of the technology, as well as other information on the economic advisability of the production which will be carried on on the basis of the contract, with special reference to the other results which were expected;

4) information on the principal raw materials and intermediate products which are used, on sources of energy which are used in the process of producing the product under the contract which has been concluded, the ratio between the shares of domestic and imported raw materials and intermediate products, and also the necessary importation of equipment, if any;

5) information on the achievement of conditions for preservation and protection of the environment;

6) data on sources of resources necessary to fulfill the contract;

7) data on specialized personnel and the program to equip them to discharge the obligations assumed in the contract;

8) data on achieving production that is optimum from the technical, technological and economic standpoints and from the standpoints of energy and raw materials;

9) information on sales potential on the domestic and foreign markets;

10) the effects of the transaction on the payments-balance position of the republic or autonomous province.

It should be evident from the economic-engineering-technological study that the conditions stipulated in this law for long-term industrial cooperation, business-and-technical collaboration or acquisition of rights to technology have been met.

As an exception to the provisions of Paragraph 1 of this article, the economic-engineering-technological study appended to a contract on acquisition of rights to a trademark need contain only the information covered by Subparagraphs 6, 8 and 9 of that paragraph.

The official heading the federal administrative agency competent for affairs of national defense may prescribe that the economic-engineering-technological study contain other information when armament and military equipment are the subject of long-term industrial cooperation, business-and-technical collaboration and acquisition of rights to technology.

Article 37

A contract concluded on long-term industrial cooperation, on business-and-technical collaboration, or on acquisition of rights to technology shall not be approved if it contains provisions which could bring about restriction of the business, development and self-management functions of the organization of associated labor, inequitable or unfavorable conditions of business operation and inequality of the contracting parties, restriction of the use and development of social, economic and technological potential, or provisions which adversely affect accomplishment of the social goals of development, in particular the following:

1) if it restricts the domestic organization of associated labor in application of the technology transferred, in protection and use of innovations it has arrived at, in its improvement, supplementation and future development, or if it restricts its research and development;

2) if in the contract the grantor of the technology retains the right to also grant the same technology to another organization of associated labor within the Socialist Federal Republic of Yugoslavia without adequate compensation of loss;

3) if it restricts the domestic organization of associated labor in acquiring similar technology from other persons;

4) if it prohibits the domestic organization of associated labor from contesting the validity of the industrial property rights which have been transferred or other such rights;

5) if it prohibits the domestic organization of associated labor from using the technology acquired and from selling products or rendering services after termination of the contract or after the expiration of 3 years from the transfer of the last improvement of the technology which the foreign person has made in the technology acquired;

6) if the domestic organization of associated labor assumes an obligation to pay the foreign person compensation independently of the sales of products or services achieved following termination of the contract or after expiration of 3 years from the transfer of the last improvement made by the foreign person in the technology acquired, except with respect to contracts on rights to creations, provided those rights are protected;

7) if it restricts the domestic organization of associated labor in making independent decisions concerning the purchase or use of raw materials, intermediate products, spare parts and equipment;

8) if it restricts the domestic organization of associated labor in altering or expanding use of the technology acquired or in enlargement, reduction or reconstruction of production capacities;

9) if it prohibits the domestic organization of associated labor from independently setting prices of products, organizing a sales network, marking its products and services with its own symbols, if it sets forth the obligation to use a foreign trademark or service mark, trade name or foreign corporate name on products or services arising out of the technology acquired;

10) if the domestic organization of associated labor is thereby prohibited from or restricted in the export of products or services to particular countries, except the countries in which the foreign person himself produces those products or has granted the exclusive right to manufacture those products.

On the recommendation of the competent body of the republic or province, the federal administrative agency competent for affairs of energy and industry may as an exception approve a contract on acquisition of rights to technology even if it contains some prohibition as referred to in Paragraph 1, Subparagraphs 1-10, of this article, if it judges that this will not produce harmful consequences.

Article 38

The organization of associated labor must append the following to the application for approval of a contract on the granting of rights to technology:

1) authentic texts of the contract and certified translations of the contract into one of the languages of the nationalities of Yugoslavia if the contract has been drawn up in a foreign language;

2) the opinion of the competent body of the Yugoslav Economic Chamber concerning the contract concluded and concerning the business reputation and soundness of the foreign party to the contract.

Article 39

The federal administrative agency competent for affairs of energy and industry is required to render a decision on the application for approval of a contract as referred to in Article 33, Paragraph 4, of this law within a period of 60 days from the date of receipt of the application.

Before rendering its decision, the federal administrative agency competent for affairs of energy and industry must obtain the opinion of the federal administrative agency competent for affairs of national defense and the federal administrative agency competent for internal affairs on whether the contract's provisions are in conformity with the interests of defense and national security, respectively. The federal administrative agency competent for affairs of national defense and the federal administrative agency competent for internal affairs must furnish their opinion within 30 days of the date of receipt of the request.

A decision rejecting an application for approval of a contract on the grounds that the provisions of the contract are contrary to the interests of the country's defense or security is a matter of discretionary judgment and need not be substantiated on that point.

Within 15 days from the date of delivery of a decision of the federal administrative agency competent for affairs of energy and industry rendered concerning an application for approval of a contract, an appeal may be filed against that decision with the Federal Executive Council.

The decision of the Federal Executive Council rendered on the appeal referred to in Paragraph 4 of this article may not be contested under administrative law.

The federal administrative agency competent for affairs of energy and industry shall deliver a decision approving a contract as referred to in Article 33 of this law to the organization of associated labor, to the national bank of the republic or the national bank of the autonomous province where the headquarters of the organization of associated labor which concluded the contract is located, to the republic or provincial self-managing community of interest for foreign economic relations in whose jurisdiction the headquarters of the organization of associated labor which concluded the contract is located, to the competent body of the republic or province, to the Yugoslav Economic Chamber, to the federal administrative agency competent for affairs of national defense, to the federal administrative agency competent for internal affairs, and to the Federal Customs Administration.

The federal administrative agency competent for affairs of energy and industry shall deliver together with the decision approving a contract referred to in Paragraph 6 of this article a duplicate of the approved contract and a reproduced copy of the consent referred to in Article 46 of this law, including the

detailed list, to the competent body of the republic or province which has issued an opinion on the justifiability of concluding the contract and on the suitability of the organization of associated labor to discharge the obligations arising out of the contract, to the national bank of the republic or national bank of the autonomous province, and to the Federal Customs Administration.

The contract referred to in Article 33 of this law shall become valid on the day when the decision approving the contract became final, but it shall take effect from the date of conclusion of the contract, unless the contract specifies otherwise.

If the federal administrative agency competent for affairs of energy and industry does not concur in the opinion of the competent body of the republic or province concerning the justifiability of concluding the contract, the procedure of reconciliation of views shall be conducted.

If even after the conduct of procedure to reconcile views the federal administrative agency competent for affairs of energy and industry and the competent body of the republic or province have not reconciled their views, the federal administrative agency competent for affairs of energy and industry is required to submit the matters in dispute to the Federal Executive Council for a decision.

If the federal administrative agency competent for affairs of energy and industry does not issue the decision referred to in Paragraph 1 of this article within the period stated in that paragraph, it shall be assumed that the contract has been approved, and that agency is required at the applicant's request and within 10 days from the date when the request was submitted to issue a confirmation that that period has expired.

Article 40

Upon approval the contract referred to in Article 33 of this law shall be entered in the special register kept in the federal administrative agency competent for affairs of energy and industry. Entry in the register shall be done automatically within 15 days from the date when the decision approving the contract became final.

The following shall be entered in the special register: the trade names or corporate names and addresses of the contracting parties, the subject of the contract, the date and place of the contract's conclusion, the term for which the contract was concluded, the date of commencement of delivery in the case of contracts on long-term industrial cooperation and the date of commencement of production in the case of contracts on acquisition of rights to technology, the date of filing of the application for approval of the contract, the number and date of the decision approving the contract and the number and date of the decision to enter it in the special register.

The information contained in the contract and in the papers appended to the application for approval of the contract shall constitute an official and/or military secret.

Article 41

An extract from the register referred to in Article 40 of this law may be issued only if the organization or person seeking the extract has a warranted interest.

An organization or person wishing to obtain an extract from the register shall submit a written and substantiated request to that effect to the federal administrative agency competent for affairs of energy and industry.

An extract from the register referred to in Article 40 of this law shall be delivered to the competent body of the republic or province.

The official heading the federal administrative agency competent for affairs of energy and industry shall issue more detailed regulations on the manner and procedure of issuance of extracts from the register, as necessary.

Article 42

Contracts as referred to in Article 33 of this law which pertain to armament and military equipment shall be subject to the approval of the federal administrative agency competent for affairs of national defense. Such contracts shall be entered in special registers kept by the federal administrative agency competent for affairs of national defense.

When the interests of national defense so require, or by decision of the Federal Executive Council to discharge the international obligations of the Socialist Federal Republic of Yugoslavia, the federal administrative agency competent for affairs of national defense may approve necessary departures from the conditions which apply to the conclusion and registration of contracts as referred to in Article 33 of this law which pertain to armament and military equipment.

VII. Performance of Contracts

Article 43

An organization of associated labor whose contract has been approved and registered in the federal administrative agency competent for affairs of energy and industry must make an annual report on fulfillment of that contract to that agency, to the competent body of the republic or province, to the Yugoslav Economic Chamber and to the national bank of the republic or the national bank of the province in which the headquarters of that organization is located.

The report referred to in Paragraph 1 of this article must contain information on fulfillment of the contract, on debts and claims which have arisen from the

contract, and on financial and business results, an evaluation of fulfillment of the contract in the past year, and other information of significance.

The report referred to in Paragraph 1 of this article shall be submitted no later than 31 March of each year concerning the previous year.

The official heading the federal administrative agency competent for affairs of energy and industry, in agreement with the Social Accounting Service and the Yugoslav National Bank shall issue more detailed regulations concerning the report referred to in Paragraph 1 of this article.

Article 44

An organization of associated labor whose contract has been approved and registered in the federal administrative agency competent for affairs of national defense must submit an annual report to that agency concerning fulfillment of that contract.

The official heading the federal administrative agency competent for affairs of national defense shall prescribe the contents of the report referred to in Paragraph 1 of this article and the deadline for its submittal.

Article 45

The federal administrative agency competent for affairs of energy and industry, after first obtaining the opinion of the competent body of the republic or province, shall render a decision concerning termination of the validity of approval of a contract on long-term industrial cooperation, of a contract on business-and-technical collaboration, of a contract on acquisition of rights to technology, or of a contract on the granting of such rights, and concerning deletion of those contracts from the register in the following cases:

1) if the organization of associated labor has ceased to meet the conditions envisaged by this law for the conclusion of such contracts;

2) if the organization of associated labor has not been carrying out provisions of the contract which were a condition for its approval.

Within 15 days from the date of delivery of a decision rendered in accordance with Paragraph 1 of this article an appeal against such decision may be filed with the Federal Executive Council.

In addition to the conditions enumerated in Paragraph 1 of this article, the federal administrative agency competent for affairs of national defense shall render a decision concerning termination of the validity of approval and concerning deletion of a contract from the register as referred to in that paragraph in the field of armament and military equipment.

Article 46

An organization of associated labor may import and export parts and products which are the subject of a contract on long-term industrial cooperation in accordance with the detailed lists which are an integral part of the contract.

Parts and products shall be imported and exported as referred to in Paragraph 1 of this article on the basis of consent issued simultaneously with the contract's approval by the federal administrative agency competent for affairs of energy and industry in agreement with the federal administrative agency competent for affairs of foreign trade.

Parts and products constituting armament and military equipment shall be imported and exported as referred to in Paragraph 1 of this article on the basis of a permit issued simultaneously with the contract's approval by the federal administrative agency competent for affairs of national defense.

The consent referred to in Paragraph 2 of this article shall be issued for the entire life of the contract.

Within 30 days from the date of receipt of the relevant request, the federal administrative agency competent for affairs of foreign trade is required to inform the federal administrative agency competent for affairs of energy and industry whether it concurs in the granting of consent as referred to in Paragraph 2 of this article.

In concluding intergovernmental agreements the authorized bodies must take into account the obligations of organizations of associated labor arising out of contracts concerning long-term industrial cooperation with foreign persons.

Article 47

An organization of associated labor may use foreign exchange realized through the export of products and component parts in fulfillment of an approved contract concerning long-term industrial cooperation entirely to import parts or products as part of that cooperation up to the amount of foreign exchange realized by exporting products under that contract, in conformity with this law and the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries.

The foreign exchange realized under Paragraph 1 of this article may also be used to pay compensation for rights to technology if its acquisition is envisaged by the contract on long-term industrial cooperation to meet the needs of that cooperation.

Article 48

The organization of associated labor shall make payments under a contract on long-term industrial cooperation separately for each cooperative arrangement through a separate foreign exchange account in an authorized bank or through a current account, reserving the right to offset debits and credits.

The organization of associated labor and the foreign person shall set forth in a contract the manner of payment in the context of Paragraph 1 of this article.

The organization of associated labor shall make payments arising out of an agreement on long-term multilateral cooperation and specialized production in the context of Article 54 of this law through a separate foreign exchange account in an authorized bank, in conformity with the agreement concluded on long-term multilateral cooperation and specialization of production.

Article 49

The maximum amount up to which an organization of associated labor may accumulate debits or credits in a current account shall be set by the organization of associated labor in agreement with the national bank of the republic or the national bank of the province before the end of each calendar year concerning the following year, provided that the net debit balance or net credit balance not exceed 40 percent of the annual amount of deliveries in one direction under the contract.

In setting the maximum amount of debits or credits in a current account for the coming year, in the context of Paragraph 1 of this article, the national bank of the republic or the national bank of the province--if it finds that the organization of associated labor has had a permanent debit balance because actual exports have been less than 50 percent of the amounts envisaged in the contract or has had a permanent credit balance because actual imports were less than 50 percent of the amounts envisaged in the contract--shall issue an order to the organization of associated labor to right the balance within 90 days through regular imports or exports.

The tasks performed under Paragraphs 1 and 2 of this article by the national bank of the republic or the national bank of the autonomous province shall be performed by the Military Service Department of the Yugoslav National Bank for debits or credits arising out of a contract on long-term industrial cooperation which pertains to armament and military equipment.

In the case referred to in Paragraph 2 of this article the national bank of the republic or the national bank of the province shall not fix the ceiling on debits or credits in the current account for the next year, but shall notify the federal administrative agency competent for affairs of energy and industry and the competent body of the republic or province concerning the order issued to right the balance so that they may proceed in the context of Article 45 of this law.

The notification given the federal administrative agency competent for affairs of energy and industry and the competent body of the republic or province under Paragraph 4 of this article shall be delivered to the federal administrative agency competent for affairs of national defense concerning debits or credits under a contract on long-term industrial cooperation which pertains to armament and military equipment.

The federal administrative agency competent for affairs of energy and industry or the federal administrative agency competent for affairs of national defense shall not invoke the measures referred to in Article 45 of this law if the situation described in Paragraph 2 of this article occurred because of force majeure.

Article 50

Statutes governing regular exports or imports shall be applied to exports or imports over and above the ratios established in the contract, and the provisions of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries shall apply to debits and credits lying outside the conditions set forth in Article 49 of this law and to imports of parts or products not covered by foreign exchange from a regular foreign exchange account.

Article 51

The national bank of the republic or the national bank of the province shall keep separate records and conduct separate audits of debits and claims under contracts on long-term industrial cooperation in the manner prescribed by the Yugoslav National Bank.

The national bank of the republic or the national bank of the province must furnish data from the records referred to in Paragraph 1 of this article to the federal administrative agency competent for affairs of energy and industry and to the self-managing community of interest for foreign economic relations in the republic or province.

Concerning contracts on long-term industrial cooperation pertaining to armament and military equipment the functions of keeping records and conducting audits referred to in Paragraph 1 of this article shall be performed by the Military Service Department of the Yugoslav National Bank.

Article 52

Customs authorities shall treat goods imported under a contract on long-term industrial cooperation within the context of the criteria or tariff policy adopted; care shall be taken in this connection to ensure the long-term stability and reliability of conditions for fulfillment of long-term contracts on industrial cooperation and specialization.

Article 27 of the Customs Law shall apply to armament and military equipment with respect to exemption from payment of duty.

Article 53

An organization of associated labor shall secure means of payment to discharge obligations under contracts on business-and-technical collaboration and under contracts on acquisition of rights to technology between organizations of associated labor and a foreign person in accordance with the provisions of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries.

Section VIII. Recording of Agreements on Long-Term Multilateral Cooperation and Specialization of Production

Article 54

An agreement on long-term multilateral cooperation and specialization of production which an organization of associated labor or business community and another self-managing organization and community conclude on the account of an organization of associated labor stating the subject matter of cooperation or specialization, the program for delivery of the equipment which is the subject of specialization or cooperation during the life of that agreement, the procedure for setting prices, the program for development of the relevant equipment, the obligations of the parties which are specializing and those which are not specializing in the production and use of the products which are the subject matter of the agreements, etc., shall be recorded with the federal administrative agency competent for affairs of energy and industry.

The organization of associated labor, business community, other self-managing organization or community which concludes an agreement as referred to in Paragraph 1 of this article must within 60 days of the date of concluding such an agreement submit a request for the recording of that agreement, a request for recording its amendments and supplements, or to extend the life of the agreement.

Article 55

The original text of the agreement shall be submitted along with the request for recording the agreement referred to in Article 54 of this law, and if the original text of the agreement is in a foreign language, a certified translation of that agreement into one of the languages of the nationalities of Yugoslavia shall also be submitted.

Article 56

In connection with conclusion of intergovernmental agreements the authorized authorities shall be mindful of the obligations of organizations of associated labor arising out of the agreements recorded pursuant to Article 54 of this law.

IX. Settlement of Disputes

Article 57

Disputes arising out of a contract on long-term industrial cooperation, a contract on business-and-technical collaboration, a contract on acquisition of rights to technology or a contract on granting such rights which arise between the domestic organization of associated labor and the foreign person shall be resolved by the competent court in Yugoslavia unless the contract provides that such disputes shall be resolved by the foreign trade arbitration commission of the Yugoslav Economic Chamber or some other domestic or foreign arbitration commission.

X. Punitive Provisions

Article 58

An organization of associated labor shall be fined no less than 10,000 and no more than 500,000 dinars for an economic violation in the following cases:

1) if its share in the production of parts is not at least 15 percent in value terms or the percentage approved by the federal administrative agency competent for affairs of energy and industry (Article 13, Paragraphs 1 and 2);

2) if it does not make payments and collections arising out of a contract on long-term industrial cooperation through a current account (Article 48);

3) if the balance in the current account should be larger than the prescribed percentage of the annual amount of deliveries in one direction under the contract (Article 49, Paragraph 1).

The responsible individual in the organization of associated labor shall be fined no less than 1,000 and no more than 10,000 dinars for an action as set forth in Paragraph 1 of this article.

Article 59

A business community shall be fined no less than 5,000 and no more than 500,000 dinars for an economic violation if it has concluded a contract on long-term industrial cooperation with a foreign person in its own name and on its own account or in another's name, but on its own account (Article 32, Paragraph 4).

The responsible individual in the business community shall be fined no less than 1,000 and no more than 10,000 dinars for an action as described in Paragraph 1 of this article.

Article 60

An organization of associated labor shall be fined no less than 5,000 and no more than 50,000 dinars for a misdemeanor in the following cases:

1) if it does not submit within the prescribed period an application for approval of a contract, for approval of amendments and supplements, and for extension of the term of a contract (Article 33, Paragraph 4);

2) if within the prescribed period it does not submit a report on fulfillment of the contract (Article 43, Paragraph 3).

The responsible individual in the organization of associated labor shall be fined no less than 500 and no more than 3,000 dinars for an action as described in Paragraph 1 of this article.

XI. Authorization

Article 61

The Federal Executive Council, on the basis of consent of the competent bodies of the republics and provinces, shall issue more detailed regulations as necessary to implementation of Articles 6, 7, 9 and 13 and Articles 33-39 of this law.

The Federal Executive Council shall issue more detailed regulations for implementation of Articles 16, 21, 23, 26 and 29 of this law.

Instructions for implementation of Articles 47-49 of this law shall be furnished as needed by the Yugoslav National Bank in agreement with the official heading the federal administrative agency competent for affairs of energy and industry and the official heading the federal administrative agency competent for affairs of foreign trade.

XII. Transitional and Concluding Provisions

Article 62

Contracts on long-term industrial cooperation, contracts on business-and-technical collaboration, contracts on acquisition of rights to technology and contracts on the granting of such rights which have been submitted to the federal administrative agency competent for affairs of energy and industry for approval or registration before promulgation of this law shall be judged for approval according to the previous regulations which govern such contracts concerning the conditions and manner of conclusion, and contracts already approved and registered shall be carried out in accordance with the regulations which were in effect at the time when the contracts were approved.

The contracts referred to in Paragraph 1 of this article which pertain to armament and military equipment and which have already been approved or registered in the federal administrative agency competent for affairs of national defense before the date of promulgation of this law may be carried out under the previous regulations which govern those contracts and under the conditions under which they were concluded.

Should the life of a contract as referred to in Paragraphs 1 and 2 of this article be extended beyond the term of the contract, such contracts must be brought into conformity with the provisions of this law.

The provision of Paragraph 3 of this article shall also apply to contracts which contain provisions concerning automatic extension.

If the life of a contract as referred to in Paragraphs 1 and 2 of this article expires before the end of 3 years from the date when this law takes effect, such contracts may be brought into conformity with the provisions of this law within that period.

Amendments and supplements to contracts as referred to in Paragraphs 1 and 2 of this article made after the day when this law takes effect must be in conformity with its provisions.

Article 63

If after this law takes effect a contract on long-term industrial cooperation is amended or supplemented even with respect to the kind and quantity of parts and products which the organization of associated labor will import and export during the life of the contract, consent for the import and export shall be granted in the manner and according to the procedure prescribed in Article 46 of this law.

The organization of associated labor must append to the application for the granting of consent referred to in Paragraph 1 of this article the opinion of the self-managing community of interest for foreign economic relations in the republic or province to the effect that the import and export are in conformity with the balance of imports and exports and the payments-balance positions of the republic or province.

Article 64

The Decree on Long-Term Industrial Cooperation, Business-and-Technical Cooperation and on Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons (SLUZBENI LIST SFRJ, No 8, 1978) and the Decree on Manner and Conditions of Conclusion of Contracts on Granting and Acquisition of Industrial Property Rights Abroad and Contracts on Foreign Business-and-Technical Collaboration (SLUZBENI LIST SFRJ, No 6, 1973) shall cease to be valid on the day when this law takes effect.

7045
CSO: 2800/345

PRICE COMMUNITY PREPARES FOR ENDING PRICE FREEZE

AU111708 Belgrade Domestic Service in Serbo-Croatian 1300 GMT 11 Jul 83

[Text] The decree on a ceiling on prices expires at the end of this month. In this connection the Council of the Federal Community for Prices has proposed conditions under which prices may change up to the end of the year. The Council of the Federal Community for Prices has assessed that it is necessary to abandon the present practice of frozen prices and that it is necessary to adopt a decision imposing the obligation to submit price lists to the Communities for Prices. This is necessary in order to check and register them, so that associated labor and the organs of the republics and provinces may be more directly involved in conducting the price policy and that their responsibility may be stressed. Aleksandar Vlajkovic presents more detail:

In order to bridle prices, the following conditions and criteria should be fulfilled: The producers of goods and services are obliged, prior to taking the initiative to change prices, to reach agreement with their business partners so as to insure the principle of joint responsibility for the conduct of the price policy. Since in principle there will be no free formation of prices, all organizations are obliged to submit their price lists to the price communities for the purpose of checking and registering them.

In order that the community may approve their request, it will be expected that the producers and consumers first conclude a self-managing agreement or social accord. The proposed price must be lower than the export or import price, excluding import duties and fees and export subsidies. Only actual costs will be allowed in price calculations.

An exception will be made if disparities of prices are eliminated in priority branches. Indirect costs, such as an increase of the rates of interest, taxes, and contributions or costs of foreign debt repayments, cannot be a basis for increasing prices.

The prices of goods and services which we do not trade with foreign countries can only be increased on the basis of self-managing agreements reached between the producers and consumers which should first be approved by the price communities. It must be ensured that the prices formed in this way will not endanger the competitiveness of other goods and services in exports. It is also proposed that no price lists for new products be approved before the end of

this year, except if the products are a result of domestic scientific research work and development.

Let us add that the prices of goods and services which have been increased this year by decisions of the Federal Executive Council and other sociopolitical communities should not be increased before the end of the year. An exception is energy and transportation where changes are possible on the basis of special analyses, but the increase should not exceed 10 to 15 percent of the industrial producers prices.

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END